

INITIATIVE 643

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 643 to the People is a true and correct copy as it was received by this office.

1 AN ACT Relating to limiting property taxes; adding new sections to
2 chapter 84.40 RCW; adding a new section to chapter 84.55 RCW; and
3 creating new sections.

4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The intent of this act is to provide
6 property tax relief by setting base years for property tax valuation
7 computation, limiting property tax valuation increases to two percent
8 per year over the base year until the ownership of the property
9 changes, and limiting the tax assessed on property.

10 NEW SECTION. **Sec. 2.** (1) As used in section 5 of this act,
11 "change of ownership" means a transfer of a present interest in real
12 property, including a transfer of the beneficial use of real property.

13 (2) "Change of ownership" includes, except as provided in
14 subsections (3) and (4) of this section, the following:

15 (a) Contracting to convey the title to or ownership of real
16 property upon the fulfillment of one or more stated conditions where
17 the right to possession of the property is transferred currently;

1 (b) The creation, transfer, or termination of a joint tenancy
2 interest;

3 (c) The creation, transfer, or termination of a tenancy-in-common
4 interest;

5 (d) The vesting of a right of possession or enjoyment of a
6 remainder or reversionary interest that occurs upon the termination of
7 a life estate or other similar precedent property interest;

8 (e) An interest that vests in persons other than the trustor where
9 a revocable trust becomes irrevocable; and

10 (f) The transfer of stock of a cooperative housing corporation,
11 vested with legal title to real property, that conveys to the
12 transferee the exclusive right to occupancy and possession of such
13 property, or a portion of the property.

14 (3) "Change of ownership" does not include:

15 (a) A transfer between coowners that results in a change in the
16 method of holding title to the real property transferred without
17 changing the proportional interests of the coowners in the real
18 property, such as a partition of a tenancy-in-common;

19 (b) A transfer for the purpose of merely perfecting title to the
20 real property;

21 (c) The creation, assignment, termination, or reconveyance of a
22 security interest in real property; or the substitution of a trustee
23 under a security instrument;

24 (d) A transfer of real property by the trustor, or by the trustor's
25 spouse, or by both, into a trust for so long as the transferor is the
26 sole present beneficiary of the trust, or the trust is revocable; or
27 any transfer of real property by a trustee of such trust back to the
28 trustor;

29 (e) A transfer of real property by an instrument whose terms
30 reserve to the transferor an estate for years or an estate for life.
31 However, the termination of such an estate for years or life estate
32 shall constitute a change of ownership; or

33 (f) A transfer of real property between or among the same parties
34 for the purpose of correcting or reforming a deed to express the true
35 intention of the parties, if the original relationship between the
36 grantor and grantee is not changed.

37 (4) "Change of ownership" also does not include an interspousal
38 transfer of real property, including, but not limited to:

1 (a) Transfers to a trustee for the beneficial use of a spouse, or
2 the surviving spouse of a deceased transferor, or by a trustee of such
3 trust to the spouse of the trustor;

4 (b) Transfers that take effect upon the death of a spouse;

5 (c) Transfers to a spouse or former spouse in connection with a
6 property settlement agreement or decree of dissolution of marriage or
7 legal separation; and

8 (d) The creation, transfer, or termination, solely between spouses,
9 of any coowner's interest.

10 NEW SECTION. **Sec. 3.** For the purposes of section 5 of this act
11 the following conditions apply to an owner-occupied residence:

12 (1)(a) The residence must be occupied by the person claiming the
13 exemption under section 5 of this act as a principal place of residence
14 as of January 1st of the year in which taxes are due. A person who is
15 displaced from his or her residence may transfer his or her exemption
16 status to a replacement residence, but no claimant shall receive an
17 exemption on more than one residence in any year.

18 (b) The claimant must notify the assessor of the person's
19 establishment of a residence or a change in residence by January 15th
20 of the initial year in which taxes are due. This exemption shall
21 continue annually until sold.

22 (c) Confinement of the claimant to a hospital or nursing home does
23 not disqualify the claim of exemption if:

24 (i) The residence is temporarily unoccupied;

25 (ii) The residence is occupied by a person who is either or both a
26 spouse or a person financially dependent on the claimant for support;
27 or

28 (iii) The residence is rented for the purpose of paying nursing
29 home or hospital costs.

30 (2) The person claiming the exemption must have owned, at the time
31 of filing, in fee, as a life estate, or by contract purchase, the
32 residence on which the property taxes have been imposed or if the
33 person claiming the exemption lives in a cooperative housing
34 association, corporation, or partnership, such person must own a share
35 therein representing the unit or portion of the structure in which he
36 or she resides. For purposes of this subsection, a residence owned by
37 a marital community or owned by cotenants shall be deemed to be owned

1 by each spouse or cotenant, and any lease for life shall be deemed a
2 life estate.

3 NEW SECTION. **Sec. 4.** For the purposes of section 5 of this act,
4 "base value" means:

5 (1) The assessed value determined under RCW 84.40.030 of the
6 property for 1993 of a residence constructed in or before 1993; or

7 (2) The assessed value determined under RCW 84.40.030 of the
8 property for the year in which construction is completed or the owner
9 begins to use the property as an owner-occupied residence for a
10 residence constructed after 1993.

11 NEW SECTION. **Sec. 5.** (1) The assessed value of real property that
12 is an owner-occupied residence for which there has been a change of
13 ownership since the previous assessment shall be equal to true and fair
14 value as determined under RCW 84.40.030.

15 (2) The assessed value of real property that is an owner-occupied
16 residence and is not assessed under subsection (1) of this section
17 shall be equal to the lesser of the following values at the time of
18 valuation:

19 (a) True and fair market value as established by the county
20 assessor in accordance with applicable law; or

21 (b) The base value of the property increased on January 1 each year
22 thereafter by two percent, compounded annually, plus the portion of the
23 true and fair market value attributable to any construction or
24 alteration not included in the previous assessment, other than
25 improvements exempt under RCW 84.36.400 for the assessment year. This
26 amount shall be referred to as the "adjusted value" of a property.

27 (3) This section does not apply to special levies or levies
28 approved under RCW 84.55.050.

29 NEW SECTION. **Sec. 6.** A new section is added to chapter 84.55 RCW
30 to read as follows:

31 (1) In addition to the limitations under this title:

32 (a) The tax payable on property used as an owner-occupied residence
33 under section 5 of this act may not exceed 0.5 percent of the
34 property's adjusted value determined under section 5 of this act; and

1 (b) A taxing district may not increase the property tax assessed
2 against property used as an owner-occupied residence under section 5 of
3 this act by more than an additional 0.5 percent per year.

4 (2) This section does not apply to special levies or levies
5 approved under RCW 84.55.050.

6 NEW SECTION. **Sec. 7.** Sections 2 through 5 of this act are each
7 added to chapter 84.40 RCW.

8 NEW SECTION. **Sec. 8.** This act applies to taxes due and payable in
9 1996 and thereafter.

10 NEW SECTION. **Sec. 9.** This sets assessed valuation limits to a cap
11 of 2% per year. All real property not specifically exempted as
12 described in this act (ie: owner occupied) shall be taxed in a similar
13 manner; with a "base value" established and an "adjusted" value
14 computed at a maximum rate of an additional 2% compounded annually.

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